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TODAY

FEATURE
American Banker
SECTION

THRIFT REVIEW: The party may be over for some thrifts, but many on the West Coast are celebrating their diversification plans for maintaining profitability. Overview begins on Page 9.

BANK BOARD MEMBERS and staff never had any legal basis for accepting millions of dollars in travel and lodging expenses from the agency's 12 district banks, according to the General Accounting Office..... 2

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ALTHOUGH CALIFORNIA regulators have granted direct real estate investment powers to 100 state-chartered banks, only 63 have exercised the authority so far..... 30

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KEEPING CURRENT

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Thrift Assets Grow Faster than Deposits

Interest Rates Cited For Lag in Liabilities

By L. MICHAEL CACACE

NEW YORK — Asset growth was significantly higher than deposit growth at the nation's 100 largest thrift institutions again last year, according to an *American Banker* survey.

Assets grew 95% faster than deposits, the survey found. In 1985, assets grew 75% faster.

There are several major reasons for the widening difference in asset and liability growth.

First, the decline in interest rates made savers reluctant to place their funds in longer-term certificates of deposits. To obtain long-term funds, the top institutions borrowed. Also, in 1986, as in 1985, when long-term interest rates fell, it actually became cheaper for many institutions to borrow for their long-term funding needs rather than to take over-the-counter deposits.

Second, net worth at the top 100 thrifts grew 17.9% last year and helped to fuel the growth in assets. The growth in net worth was attributable, in part, to the recent conversions from mutual to stock ownership. Twelve of the top 100 thrifts converted to stock ownership last year.

Third, as institutions converted from mutual to stock form of ownership, their deposit growth was dampened, since some depositors converted their deposits into equity. For example, the deposits of the 12 thrifts that convert-

Thrifts: Page 30 ➡

Thrift Industry Balance Sheet
(Dollar Amounts in Billions)

	12/31/86*	12/31/85	% Chg.
TOTAL ASSETS:	1,164.7	1070.0	+ 8.9
Mortgage-Backed Securities	151.5	111.6	+35.8
Commercial Loans	18.2	14.6	+24.7
TOTAL LIABILITIES AND REGULATORY NET WORTH	1,164.7	1,070.0	+ 8.9
TOTAL LIABILITIES	1,111.5	1,023.4	+ 8.6
Deposits	889.9	843.9	+ 5.5
Total Borrowings	195.3	157.6	+23.9
REGULATORY NET WORTH	53.2	46.6	+14.2

A VIEW FROM OUTSIDE

MARTIN MAYER

Products and Fakery

THE challenge in modern advertising, the late Rosser Reeves said 30 years ago, is that a client comes into your office with two newly minted half-dollars, throws them onto your desk, and says, "Mine is the one on the left. You prove it's better."

This wasn't, Mr. Reeves added, an entirely new problem: Claude Hopkins, every serious ad man's ancestral totem, had faced and conquered it in the early 1900s when he undertook the representation of Schlitz beer. Mr. Hopkins had gone to the brewery and been especially intrigued with the process by which the bottles were prepared for filling, scoured, and sterilized by a steam jet. "Washed with live steam!" Mr. Hopkins wrote. The Schlitz people objected that all beer bottles were washed the same way in all breweries, and Mr. Hopkins explained that the public didn't know that, so Schlitz could seize the claim, and indeed, seize it exclusively, because rivals who then advertised how well they washed their bottles would wind up in effect advertising Schlitz rather than their own brands. This worked. When it engaged Lord & Thomas, Hopkins' agency, Schlitz was just another Milwaukee brewery, a good customer of the First Wisconsin National Bank but nothing special. Within 10 years, it became the nation's leading brand of beer, and the Uihlein family, which owned the brewery, pretty much got control of the bank, too.

View: Page 4 ➡

Regan's Exit Boosts Clout Of Jim Baker

By ROBERT TRIGAUX
Washington Bureau

WASHINGTON — Now that Donald Regan is gone, will the Reagan administration's drive for financial deregulation wither on the vine?

Which of the Bakers — Howard or James — benefits most from Regan's resignation from the Oval Office last week?

News Analysis

Donald Regan wore many hats in Washington. From imperious Wall Street head of Merrill Lynch & Co. to hard-charging Treasury secretary, and then as one of the most powerful chiefs of staff in White House history, the autocratic Mr. Regan never forgot his fascination with the financial industry and his singular goal, its deregulation.

Now that this powerful personality has stepped out of public life, White House and financial industry watchers see some clear implications for new directions in public policy, some of which may affect banking.

Most significant may be the perceived decline in the Reagan administration's drive to back a comprehensive restructuring of the financial industry and to encourage more free market activities. At the very least, the departure of Mr. Regan — who helped engineer major tax law reform last year — removes one of the most vocal supporters of deregulation from the administration.

In addition, White House general counsel and deregulation advocate Peter Wallison submitted his resignation on Wednesday and will leave the administration on March 20. Mr. Wallison, who joined Mr. Regan at the White House after serving as his general counsel at the Treasury Department, was a major supporter of easing constraints on commercial banking activities.

Regan: Page 28 ➡

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Talk to Franklinton... America's personal favorite.

Top 100 U.S. Thrift Institutions

In Order of Deposits, December 31, 1986, Compared with December 31, 1985

Compiled by American Banker Copyright 1986

Rank 12/31/86		Deposits 12/31/86	Deposits 12/31/85	Rank 1985	Gain	Assets 12/31/86	Assets 12/31/85	Net Worth 12/31/86	Net Worth/ Assets(%)	Chart. Type	Insur. Type
1	Home Savings of America, FA, Irwindale, Calif.	21,774,759,000	19,486,000,000	1		27,789,661,000	26,746,193,000	1,574,565,000	5.67	4	2
2	Great Western Bank, FSB, Beverly Hills	18,130,530,000	17,454,823,872	2		27,405,368,000	25,049,203,000	1,348,887,000	4.92	2	2
3	American Savings & Loan Assn., Stockton, Calif.	16,977,839,000	17,434,499,000	3		33,933,294,000	27,364,650,000	552,124,000	1.63	4	2
4	California Fed. Savings & Loan Assn., Los Angeles	15,455,800,000	13,045,000,000	4		20,540,400,000	18,002,000,000	1,067,800,000	5.20	4	2
5	Glendale Federal Savings & Loan Assn., Calif.	12,700,344,000	10,981,575,000	6	+1	17,451,589,000	14,751,119,000	856,972,000	4.91	4	2
6	Meritor Savings Bank, Philadelphia	12,676,100,000	12,969,633,000	5		18,447,272,000	17,153,011,000	N.A.	N.A.	2	1
7	First Nationwide Bank, FSB, San Francisco	11,079,351,000	8,802,430,000	8	+1	16,048,835,000	11,572,000,000	790,222,000	4.92	2	2
8	Goldome FSB, Buffalo, N.Y. (a)	11,016,213,000	(b)	...		14,669,199,000	(b)	299,363,000	2.04	1	1
9	Great American First Savings Bank, San Diego, Calif.	8,877,414,000	5,891,416,000	15	+6	13,064,815,000	8,271,797,000	754,710,000	5.78	2	2
10	Home Fed. Savings & Loan Assn. of San Diego, Calif.	8,562,000,000	7,426,584,000	10		12,078,000,000	10,018,646,000	N.A.	N.A.	4	2
11	World Savings, FS&LA, Oakland, Calif.	7,698,523,000	7,598,792,000	9		12,439,262,000	12,134,626,000	748,565,000	6.02	4	2
12	City Federal Savings Bank, Elizabeth, N.J.	6,998,588,000	6,469,194,000	13	+1	10,728,053,000	8,224,809,000	356,956,000	3.33	2	2
13	CrossLand Savings FSB, Brooklyn, New York	6,876,465,000	6,970,692,000	11		10,095,697,000	8,022,494,000	823,533,033	8.16	2	1
14	Anchor Savings Bank FSB, Northport, N.Y.	6,468,025,000	5,870,980,000	16	+2	7,359,381,000	6,418,498,000	370,104,000	5.03	1	2
15	Dime Savings Bank of New York FSB	6,464,274,000	6,731,906,000	12		8,366,595,000	8,261,799,000	582,260,000	6.96	2	1
16	Coast Savings & Loan Assn., Los Angeles	5,931,131,000	4,610,128,257	24	+8	9,725,362,000	7,385,465,449	699,200,000	7.19	4	2
17	Gibraltar Savings, Beverly Hills	5,727,043,000	6,197,808,000	14		11,331,191,000	9,539,324,000	558,826,000	4.93	4	2
18	Imperial Savings Assn., San Diego, Calif.	5,532,288,000	5,502,598,018	17		8,911,820,000	7,251,902,330	281,115,000	3.15	4	2
19	Columbia Savings & Loan Assn., Beverly Hills	5,192,585,000	4,691,727,882	23	+4	10,222,652,000	6,463,336,112	N.A.	N.A.	4	2
20	Bowery Savings Bank, New York	5,136,413,000	5,043,749,000	18		6,303,939,000	5,701,143,000	345,092,000	5.47	2	1
21	Sears Savings Bank, Glendale, Calif.	5,054,267,728	4,944,487,000	20		6,577,588,093	6,157,387,000	254,973,051	3.88	2	2
22	First Federal of Michigan, Detroit	5,047,913,315	4,869,010,673	22		11,271,916,424	10,195,907,942	457,044,226	4.05	4	2
23	Empire of America FSB, Buffalo, N.Y. (c)	4,967,439,000	4,909,106,000	21		6,301,574,000	5,950,535,000	284,277,000	4.51	2	2
24	Talman Home Federal Savings & Loan Assn., Chicago	4,748,281,000	5,014,667,000	19		5,699,630,000	6,057,503,000	294,051,000	5.16	4	2
25	Standard Federal Bank, Troy, Mich.	4,450,335,801	4,143,110,563	26	+1	6,736,680,682	5,395,607,977	310,625,732	4.61	1	2
26	People's Bank, Bridgeport, Conn.	4,352,744,000	3,778,928,000	28	+2	4,956,668,000	4,235,914,000	331,051,000	6.68	1	1
27	Long Island Savings Bank FSB, Syosset, N.Y.	4,194,343,000	3,600,763,000	30	+3	5,635,827,000	4,710,782,000	443,718,000	7.87	1	2
28	Carteret Savings Bank, FA, Morristown, N.J.	4,123,994,000	4,011,908,000	27		5,541,090,000	5,128,656,000	306,358,000	5.53	2	2
29	Atlantic Financial Federal, Bala Cynwyd, Pa.	4,107,470,000	3,362,563,000	34	+5	5,979,325,000	4,412,520,000	254,835,000	4.26	4	2
30	Dollar-Dry Dock Savings Bank, Bronx, New York	3,956,983,000	4,397,539,000	25		4,365,459,000	4,853,808,000	140,352,000	3.22	2	1
31	MeraBank, FSB, Phoenix, Ariz.	3,905,887,000	3,504,537,000	32	+1	6,257,802,000	5,219,438,000	497,453,000	7.95	2	2
32	Western Savings & Loan Assn., Phoenix, Ariz.	3,813,475,624	3,235,630,000	38	+6	5,593,209,327	4,808,899,000	262,364,961	4.69	4	2
33	Howard Savings Bank, Newark, N.J.	3,704,461,000	3,319,444,000	35	+2	4,294,392,000	3,656,405,000	304,116,000	7.08	2	1
34	Citicorp Savings of Illinois, FS&LA, Chicago	3,640,424,000	3,645,019,525	29		5,527,563,000	4,507,954,986	1,694,935,000	30.66	4	2
35	CenTrust Savings Bank, Miami	3,588,802,971	2,776,493,000	48	+13	6,167,095,000	4,809,878,000	315,187,000	5.11	4	2
36	Northeast Savings, FA, Hartford, Conn.	3,454,316,000	3,148,049,000	40	+4	5,845,804,000	4,492,075,000	372,434,000	6.37	4	2
37	Florida Federal Savings & Loan Assn., St. Petersburg	3,446,706,000	3,538,201,025	31		5,464,673,000	5,174,879,621	207,261,000	3.79	4	2
38	TCF Banking & Savings, FA, Minneapolis	3,405,961,000	3,410,824,000	33		6,517,650,000	5,498,897,000	N.A.	N.A.	4	2
39	Gibraltar Savings Assn., Houston	3,398,074,075	3,110,086,062	41	+2	4,707,511,800	5,066,738,484	557,001,096	11.83	4	2
40	Transohio Savings Bank, FSB, Cleveland	3,391,000,000	2,520,080,000	52	+12	5,062,000,000	3,211,559,000	306,000,000	6.05	2	2
41	Washington Mutual Savings Bank, Seattle	3,293,169,000	3,251,111,000	37		5,392,597,000	4,238,083,000	340,969,000	6.32	2	1
42	Perpetual Savings Bank, FSB, McLean, Va.	3,193,313,000	2,938,298,751	45	+3	4,407,268,000	4,048,088,492	374,663,000	8.50	2	2
43	United Savings Assn., Houston	3,193,286,000	2,839,780,000	46	+3	5,988,566,000	4,755,945,000	248,882,000	4.16	4	2
44	Bright Banc Savings Assn., Dallas	3,173,566,000	1,433,828,000	126	+82	4,801,080,000	2,510,626,000	159,884,000	3.33	4	2
45	First Federal Savings & Loan Assn., Rochester, N.Y.	3,154,870,641	3,267,784,000	36		4,540,240,189	4,653,501,000	80,613,041	1.78	3	2
46	Emigrant Savings Bank, New York	3,138,797,252	3,105,648,138	42		3,514,356,932	3,270,833,776	89,873,400	2.56	2	1
47	Citicorp Savings, FS&LA, San Francisco	3,072,518,000	3,058,039,000	43		4,978,642,000	4,408,892,000	907,337,000	18.22	4	2
48	Community Federal Savings & Loan Assn., St. Louis, Mo.	3,055,827,000	3,185,073,803	39		4,030,483,000	3,740,121,000	128,899,000	3.20	3	2
49	American Savings Bank FSB, New York	2,943,771,031	3,009,504,000	44		3,833,200,000	3,613,506,000	291,380,000	7.60	2	1
50	Benjamin Franklin Federal S & L Assn., Portland, Ore.	2,869,674,291	2,697,270,000	49		4,430,535,792	4,081,267,000	218,281,745	4.93	4	2
51	University Savings Assn., Houston	2,853,527,000	2,443,381,000	56	+5	3,935,592,000	3,887,842,000	138,701,000	3.52	4	2
52	First Texas Savings Assn., Dallas	2,853,280,424	2,498,019,972	54	+2	3,662,639,319	3,716,266,251	300,668,728	8.21	4	2
53	Lincoln Savings & Loan Assn., Irvine, Calif.	2,823,134,000	2,406,958,000	58	+5	3,605,217,000	3,211,758,000	219,715,000	6.09	4	2
54	Sunbelt Savings Assn., Dallas	2,821,995,000	2,521,329,000	51		3,195,491,929	2,999,870,000	11,672,996	0.37	4	2
55	AmeriFirst Federal Savings & Loan Assn., Miami	2,811,388,000	2,804,312,000	47		4,016,949,000	4,428,859,000	195,272,000	4.86	4	2
56	Green Point Savings Bank, Brooklyn, New York	2,752,920,447	2,390,540,480	59	+3	3,091,464,072	2,645,874,024	282,289,756	9.13	1	1
57	Manhattan Savings Bank, New York	2,727,680,008	2,623,986,586	50		3,018,622,531	2,875,204,026	225,005,550	7.45	1	1
58	Farm & Home Savings Assn., Nevada, Mo.	2,590,605,626	2,500,830,000	53		3,296,358,490	2,805,578,000	202,696,620	6.15	4	2
59	Old Stone Bank FSB, Providence, R.I.	2,511,973,000	2,082,208,000	72	+13	3,512,277,000	2,796,248,000	268,152,000	7.63	2	2
60	Hudson City Savings Bank, Paramus, N.J.	2,487,373,787	2,292,239,013	63	+3	2,741,931,840	2,521,070,842	181,932,640	6.64	1	1
61	Homestead Savings, FS&LA, San Francisco	2,479,493,677	2,328,046,000	61		5,492,379,681	4,642,653,000	204,847,831	3.73	4	2
62	Chevy Chase Savings Bank, FSB, Md.	2,424,005,745	2,086,139,937	71	+9	2,790,560,425	2,257,602,371	138,189,991	4.95	2	2
63	Seamen's Bank for Savings FSB, New York	2,418,300,000	2,424,000,000	57		3,315,240,000	3,105,406,000	89,254,000	2.69	2	1
64	Fidelity Federal S & L Assn., Glendale, Calif.	2,406,569,000	2,193,466,000	65	+1	3,294,905,000	3,143,051,000	161,711,000	4.91	4	2
65	Bank Western FSB, Denver	2,365,452,405	2,353,295,000	60		3,508,319,362	2,951,439,000	267,749,300	7.63	2	2
66	Georgia Federal Bank, FSB, Atlanta	2,332,455,000	2,136,770,000	67	+1	3,214,514,000	2,787,170,000	234,975,000	7.31	2	2
67	San Jacinto Savings Assn., Houston	2,271,363,269	1,802,422,346	90	+23	2,709,356,252	2,504,411,428	151,725,346	5.60	4	2
68	First Minnesota Savings Bank FSB, St. Paul	2,267,736,183	2,483,737,000	55		3,040,030,046	3,068,201,000	107,737,174	3.54	1	2
69	Society for Savings, Hartford, Conn.	2,227,823,000	1,985,365,000	78	+9	2,948,366,000	2,506,751,000	178,738,000	6.06	2	1
70	Empire of America FSB, Fort Worth, Tex. (c)	2,220,364,000	2,294,824,000	62		2,740,659,000	2,619,632,000	160,432,000	5.85	2	2
71	Williamsburgh Savings Bank, Brooklyn, New York	2,215,194,000	2,244,613,176	64		2,330,027,000	2,354,371,031	50,127,000	2.15	1	1
72	Downey Savings & Loan Assn., Costa Mesa, Calif.	2,187,856,093	1,929,968,227	82	+10	2,481,734,397	2,612,202,618	186,527,964	7.52	4	2
73	Guarantee Savings, FS&LA, Fresno, Calif.	2,171,427,000	1,959,979,071	79	+6	2,895,979,000	2,822,089,808	137,117,000	4.73	4	2
74	First Federal Savings & Loan Assn., Pittsburgh	2,171,290,000	1,913,978,000	84	+10	2,476,943,000	2,210,323,000	80,251,000	3.24	3	2
75	Rochester Community Savings Bank, N.Y.	2,152,028,000	2,163,451,000	66		3,137,856,000	2,906,662,000	287,816,000	9.17	2	1
76	American Savings & Loan Assn. of Florida, Miami	2,144,742,000	2,133,740,000	68		2,610,774,000	2,693,681,000	169,167,000	6.48	4	2
77	Midwest Federal Savings & Loan Assn., Minneapolis	2,137,637,837	1,997,582,623	77		3,254,372,338	3,009,841,394	136,700,171	4.20	3	2
78	Capitol Federal Savings & Loan Assn., Topeka, Kan.	2,132,795,499	2,005,133,828	76		2,494,514,607	2,310,037,618	212,710,923	8.53	3	2
79	American Savings & Loan Assn., Salt Lake City, Utah	2,132,412,000	2,118,000,000	70		N.A.	2,772,000,000	N.A.	N.A.	4	2
80	Far West Savings & Loan Assn., Newport Beach, Calif.	2,121,591,000	1,725,837,000	96	+16	3,025,187,000	2,425,965,000	170,333,000	5.63	4	2
81	Lincoln Savings Bank FSB, New York	2,112,118,365	2,064,409,000	73		2,306,923,091	2,233,817,000	34,821,317	1.51	1	1
82	St. Paul Federal Bank for Savings, Chicago	2,077,714,000	1,887,962,867	87	+5	2,395,382,000	2,099,113,193	105,838,000	4.42	1	2
83	Valley Federal S & L Assn., Van Nuys, Calif.	2,066,910,000	1,959,453,000	80		2,661,455,000	2,493,445,000	101,780,000	3.82	4	2
84	Pacific First Federal Savings Bank, Tacoma, Wash.	2,059,374,000	1,888,748,000	86	+2	4,096,568,000	3,356,279,000	204,954,000	5.00	2	2
85	Coral Gables Federal Savings & Loan Assn., Fla.	2,018,428,245	2,131,447,459	69		2,369,787,383	2,352,252,707	190,937,082	8.06	3	2
86	Hill Financial Savings Assn., Red Hill, Pa.	2,009,666,587	1,767,258,048	93	+7	2,696,861,111	2,324,000,000	109,055,788	4.04	3	2
87	Santa Barbara Savings & Loan Assn., Calif.	2,005,337,000	2,058,690,118	74		4,556,652,000	3,150,316,946	109,132,000	2.40	4	2
88	Franklin Savings Assn., Ottawa, Kan.	1,961,504,000	1,092,700,000	178	+90	6,036,487,000	3,161,680,000	295,457,000	4.89	4	2
89	Citizens Federal Savings & Loan Assn., Dayton, Ohio	1,957,586,529	1,819,340,566	89		2,261,115,804	2,003,343,007	91,683,759	4.05	3	2
90	Horizon Financial, FA, Southampton, Pa.	1,940,932,000	1,494,933,000	119	+29	2,419,515,000	2,027,276,000	38,876,000	1.61	3	2
91	East River Savings Bank, New York	1,938,605,745	1,924,796,424	83		2,453,117,950	2,078,268,644	131,328,713	5.35	2	1
92	Greater New York Savings Bank, New York	1,914,806,000	2,016,395,000	75		2,299,945,000	2,487,000,000	81,503,000	3.54	1	1
93	Citizens Federal Savings & Loan Assn., Miami	1,904,050,000	1,364,601,000	133	+40	2,599,102,000	1,993,821,000	195,691,000	7.53	4	2
94	Dollar Bank FSB, Pittsburgh	1,900,786,000	1,940,491,000	81		2,380,196,000	2,385,031,000	188,283,000	7.91	1	2
95	Lamar Savings Assn., Austin, Tex.	1,892,664,000	1,662,532,523	100	+5	N.A.	1,853,547,031	N.A.	N.A.	4	2
96	Astoria Federal Savings & Loan Assn., Queens, New York	1,866,725,771	1,794,362,569	92		2,571,270,264	2,194,045,493	162,952,600	6.34	3	2
97	Mercury Savings, FS&LA, Huntington Beach, Calif..	1,823,000,000	1,640,721,000	101	+4	2,372,705,000	2,155,543,000	82,107,000	3.46	4	2
98	Commercial Federal Savings & Loan Assn., Omaha, Neb.	1,804,121,000	1,542,177,000	115	+17	3,329,508,000	2,874,891,000	120,458,000	3.62	4	2
99	Pima Savings & Loan Assn., Tucson, Ariz. (d)	1,765,000,000	1,470,058,460	121	+22	N.A.	2,087,917,878	N.A.	N.A.	4	2
100	Guaranty Federal Savings & Loan Assn., Galveston, Tex.	1,762,433,000	1,511,638,000	118	+18	2,246,578,000	1,722,620,000	40,246,000	1.79	4	2

The bulk of the data are from American Banker's questionnaire which asks for total deposits and savings accounts, excluding all escrowed accounts. This preliminary list of the top 100 is based solely on the thrifts that responded to the questionnaire by production deadlines. **Total deposits and savings accounts** include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. **Regulatory Net Worth** includes permanent, reserve, or guarantee stock; paid-in surplus; qualifying mutual capital certificates; income capital/net worth certificates; qualifying subordinated debentures; appraised equity capital; reserves; undivided profits; and net undistributed income. **Charter Types:** 1-Mutual Savings Bank; 2-Stock Savings Bank; (3)-Mutual Savings & Loan Association; (4)- Stock Savings & Loan Association. **Insurance Types:** 1-FDIC-Insured; 2-FSLIC-Insured; 3-State Insured. **(a)**— The Dec. 31, 1986, data for Goldome are on a consolidated GAAP ("generally accepted accounting principles") basis. **(b)**— Prior to 1986, data for Goldome were on an unconsolidated regulatory basis. Since these data are not comparable with the 1986 data, they are not shown here. **(c)**— Part of Empire of America FSB's financial service network. Empire of America FSB had consolidated deposits of $7.35 billion and consolidated assets of $9.10 billion at the yearend. Had the consolidated deposit figure been used, Empire of America FSB would have ranked 12th in deposits. **(d)**— Deposits for 12/31/86 are approximate and subject to a final audit.

Banks Bearish On Real Estate In California

By ROBERT LUKE
West Coast Bureau

LOS ANGELES — California's state-chartered banks aren't rushing pell-mell into the direct real estate investment game.

Although state regulators have granted direct real estate investment powers to 100 banks, only 63 have exercised that authority so far, according to John R. Paulus, deputy superintendent of banks.

The investments total $99.9 million, representing one-tenth of 1% of the assets of California's 286 state-chartered banks, or 1% of the total assets of the 63 banks.

Since 1984, California's state-chartered banks have been empowered to invest up to 10% of their assets in direct real estate investments through subsidiaries. For banks without direct-investment units, such investments are limited to 100% of shareholders equity.

Results of the survey, gleaned from information requested specifically in the banks' yearend call reports, are expected to be detailed in a letter the department plans to send to the Federal Reserve Board next week.

The Fed last November proposed a rule that would curb the direct real estate investment activities of bank holding companies, including those in 22 states that have granted broad real estate powers to state-chartered institutions. The Fed voiced concern that such activities are unsound.

However, for holding companies in 28 other states, the guidelines could be beneficial if adopted, since they would permit banking concerns in those states to enter the real estate game as direct investors for the first time.

The proposed guidelines would limit a bank holding company's total investment in all real estate subsidiaries to 5% of its consolidated primary capital. That would be less than what California regulators currently allow.

Mr. Paulus said the department will tell the Fed it has "sufficient regulatory controls to monitor these activities." He added: "You're always going to have problems. But the amount of problems at this point in time is not major."

In an earlier interview, Mr. Paulus said the problems included self-dealing, such as bank directors' involvement in real estate joint ventures, and problems with the accounting treatment and carrying values of direct investments in real estate.

The comment period on the proposed rule expires March 25. ■

Thrift Assets Grow Faster than Deposits

Continued from Page 1

ed to stock ownership during 1986 fell by 1.1%, while their assets grew by more than 3.2%.

These are some of the findings of the *American Banker*'s annual survey of the top institutions in the thrift industry. For the purpose of this survey, thrift institutions are savings and loan associations and savings banks. A listing of the top 100 institutions, ranked by deposits, appears on page 18. On May 29, the *American Banker* will publish a list of the top 300 institutions in deposits and in assets.

The deposits of the top 100 thrifts totaled $422.1 billion at yearend, up 7.9% from $391.3 billion at yearend 1985. The assets of these thrifts totaled $605.2 billion on Dec. 31, 1986, up 15.4% from the year before.

For the industry as a whole, asset growth was 65% greater than deposit growth. Assets were up 8.9% to $1.17 trillion, and deposits were up 5.4% to $889.9 billion.

The industry data are for all 3,228 FSLIC-insured institutions in the nation at yearend 1986 and come from the Federal Home Loan Bank Board. According to these data, total borrowings jumped 23.9% last year to $195.3 billion and accounted for 39% of the industry's funding of asset growth. And net worth rose by 14.2%, accounting for 7% of the industry's funding of asset growth.

Also, these data show that the fastest-growing assets on the industry's balance sheet were mortgage-backed securities. The holdings of these securities by the entire industry rose 35.8% in 1986 to $151.5 billion.

Mortgage-backed securities include a variety of investment securities representing shares in a pool of mortgage loans. Some are insured or guaranteed by an agency or instrument of the United States and others are conventional mortgage-backed pass-through securities, which are not insured.

The growth in the holdings of mortgage-backed securities represents the industry's attempt to improve the liquidity of its asset portfolio.

The Nation's Top Thrifts

Home Savings of America FA, Irwindale, Calif., remains the nation's top deposit-taking thrift institution, with $21.8 billion in deposits on Dec. 31, 1986, up 11.7% from the year before.

Great Western Bank FSB, Beverly Hills, remains the second largest thrift institution, with deposits of $18.1 billion on Dec. 31, up 3.9% from the year before. Formerly Great Western Savings FS&LA, the thrift changed its title and charter last year, converting from a stock savings and loan association to a stock savings bank.

American Savings and Loan Association, Stockton, Calif., remains in third place, with deposits of $17 billion on Dec. 31, down 2.6% from the year before.

California Federal Savings and Loan Association, Los Angeles, again was fourth, with deposits of $15.5 billion.

And Glendale Federal Savings and Loan Association, Calif., surpassed Meritor Savings Bank, Philadelphia, as the fifth largest thrift, with $12.7 billion in deposits at yearend, up 15.7% from the year before when it ranked sixth.

Meritor Savings Bank, the nation's largest savings bank, fell to sixth place in deposits among all thrifts, with $12.68 billion at yearend 1986, down 2.2% from $12.97 billion a year earlier.

In terms of total assets, American Savings is the largest thrift, with $33.9 billion in assets at yearend, up 24% from the year before. Home Savings is second, with assets of $27.8 billion; Great Western is third, with $27.4 billion; California Federal is fourth, with $20.5 billion; and Meritor is fifth, with $18.4 billion.

Among the top 10 institutions, First Nationwide Bank FSB, San Francisco, posted a 26% gain in deposits to move up one notch in the rankings to seventh position, with $11.08 billion in deposits at yearend, surpassing Goldome FSB, Buffalo. First Nationwide Bank FSB, San Francisco, a subsidiary of Ford Motor Co., acquired four other thrift institutions last year with combined assets of more than $2.2 billion to account for the bulk of the gain.

Goldome, with $11.02 billion in deposits, fell one notch to eighth place. Goldome is the largest mutual savings bank in the nation and third largest savings bank overall behind Meritor and First Nationwide.

In addition to Goldome, only two other institutions ranking among the top 25 had a mutual form of ownership at yearend. They are 14th-ranked Anchor Savings Bank FSB, Northport, N.Y., and 25th-ranked Standard Federal Bank, Troy, Mich. Anchor Savings is currently in the process of converting to the stock form of ownership, and Standard Federal just completed its conversion to a stock savings bank in January.

At midyear, five of the top 25 thrifts were mutually owned. Since midyear, 15th-ranked Dime Savings Bank of New York FSB and 23rd-ranked Empire of America FSB, Buffalo, completed their conversions from mutuals to stock savings banks.

Overall, 76 of the top 100 thrifts, with 82.6% of the deposits, were in stock form on Dec. 31. At midyear, 67 of the top 100 thrifts were in stock form, and they had 74% of the deposits of the top 100 institutions.

During 1986, 12 of the top 100 thrifts converted from mutual to stock ownership in 1986. These 12 institutions are identified in the story appearing on page 31.

Other Survey Findings

• Franklin Savings Association, Ottawa, Kan., had the largest nonmerger-related percentage gain in deposits last year and the largest gain in deposit rank. Franklin Savings moved up 90 places in rank to 88th position, with deposits of $1.96 billion at yearend 1986, up almost 80% from the year before when it ranked 178th in deposits, with $1.09 billion. According to a spokesman for the institution, the gain was attributable to the issuance of broker retail certificates of deposit.

• Eleven of the top 100 thrifts acquired 18 other thrift institutions last year, and these 18 institutions had combined assets of $6.2 billion. A story that appears on page 31 identifies the 11 institutions among the top 100 that were involved in merger activity last year and the institutions acquired.

• Two Citicorp thrift subsidiaries — 34th-ranked Citicorp Savings of Illinois FS&LA, Chicago, and Citicorp Savings FS&LA, San Francisco — had the best ratios of regulatory net worth to total assets at yearend among the top 100 thrifts, 30.66% and 18.22%, respectively.

• The institution reporting the smallest ratio of net worth to assets was 54th-ranked Sunbelt Savings Association, Dallas, with a ratio of 0.37%. Seven of the top 100 thrifts did not provide the *American Banker* with their regulatory net worth data.

• Eight institutions that ranked among the top 100 in deposits on Dec. 31, 1985, dropped out of the top 100 on Dec. 31, 1986. In this group, the institution with the largest decline in deposits was Freedom Savings and Loan Association, Miami. Freedom's deposits fell 18.4% to $1.55 billion on Dec. 31, 1986, from $1.9 billion on Dec. 31, 1985, when it ranked 85th in deposits. Freedom's assets totaled $2.17 billion at yearend 1986, and its regulatory net worth was negative $46 million on Dec. 31. ■

Thrift Industry Balance Sheet

For FSLIC-Insured Institutions

(Dollar Amounts in Billions)

	12/31/86*	12/31/85	% Chg.
ASSETS			
1. Mortgage Loans	661.8	649.6	+ 1.9
2. Mortgage-Backed Securities	151.5	111.6	+35.8
3. Commercial Loans	18.2	14.6	+24.7
4. All Other Nonmortgage Loans[1]	54.0	47.7	+13.2
5. Cash, Deposits, Investment Securities	169.3	143.9	+17.7
6. All Other Assets	109.9	102.5	+ 7.2
TOTAL ASSETS:	1,164.7	1070.0	+ 8.9
LIABILITIES			
1. Deposits	889.9	843.9	+ 5.5
2. Total Borrowings	195.3	157.6	+23.9
A. FHLBB Advances	100.0	84.4	+18.5
B. Retail Repurchase Agreements	0.7	1.4	-50.0
C. All Other	94.6	71.8	+31.8
3. All Other Liabilities	26.4	21.9	+20.5
TOTAL LIABILITIES	1,111.5	1,023.4	+ 8.6
Regulatory Net Worth	53.2	46.6	+14.2
TOTAL LIABILITIES AND REGULATORY NET WORTH	1,164.7	1,070.0	+ 8.9
Total Number of FSLIC-Insured Thrifts	3,228	3,246	- 0.6

Data are from the Federal Home Loan Bank Board's News Release. *—All data for Dec. 31, 1986 are preliminary. (1)—All other nonmortgage loans consist of nonmortgage consumer loans and loans on deposits.

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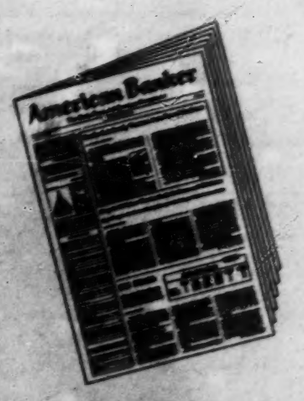

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S&L Mergers, Conversions to Stock Ownership Were Big in '86

By L. MICHAEL CACACE

NEW YORK — Eleven of the nation's top 100 thrifts acquired 18 other thrift institutions and 12 of the top 100 converted from the mutual to stock form of ownership in 1986.

The 18 institutions acquired through mergers had combined assets of $6.2 billion and accounted for almost 8% of the asset growth of the top 100 thrifts last year. Following are the 11 acquiring institutions.

• Fourth-ranked California Federal Savings and Loan Association, Los Angeles, acquired $42 million-asset La Jolla Pacific Savings Bank in November.

• Seventh-ranked First Nationwide Bank FSB, San Francisco, acquired four institutions: State Savings and Loan Co., South Euclid, Ohio; Citizens Home Savings and Loan Co., Lorain, Ohio; St. Louis Federal Savings and Loan Association, Clayton, Mo.; and Lincoln Federal Savings Bank in Louisville, Ky. These four institutions had combined assets of more than $2.2 billion.

• 10th-ranked Home Federal Savings and Loan Association, San Diego, acquired $83 million-asset Upland Savings and Loan Association, Upland, Calif.

• 93d-ranked Citizens Federal Savings and Loan Association, Miami, acquired $700 million-asset Equitable Federal Savings Bank of Ohio on July 9, 1986, in a supervisory-assisted transaction.

• 28th-ranked Carteret Savings Bank FA, Morristown, N.J., assumed the assets and liabilities of three institutions with combined assets of $173 million: Admiral-Builders Savings and Loan; Mountain Security Savings Bank of Wytheville; and First Federal Savings and Loan Association of Montgomery County, Blacksburg, Va.

• 27th-ranked Long Island Savings Bank FSB, Syosset, N.Y., acquired $500 million-asset Flushing Federal Savings and Loan Association, Queens, N.Y., in April 1986.

• 29th-ranked Atlantic Financial Federal, Bala-Cynwyd, Pa., acquired two savings and loan associations last year with combined assets of $134 million. In February, it acquired Great Western Savings and Loan Association. In September, it acquired North Coast Savings and Loan Association

• 74th-ranked First Federal Savings and Loan Association, Pittsburgh, acquired two savings and loan associations with combined assets of $132 million — Tower Federal Savings and Loan Association in July and Dollar Savings and Loan Association in November.

• 86th-ranked Hill Financial Savings Association, Red Hill, Pa., acquired the $10 million-asset Fermanagh Building and Loan in October.

• 59th-ranked Old Stone Bank FSB, Providence, R.I., a subsidiary of Old Stone Corp., merged its sister institution — the $483 million-asset Old Stone Bank of Washington FSB.— into the bank on Dec. 31, 1986.

• 44th-ranked Bright Banc Savings Association, Dallas, completed its acquisition of Dallas Federal Savings and Loan Association in January 1986. Dallas Federal was the 95th largest thrift in the nation at yearend 1985, with $1.7 billion in deposits.

Mutual-to-Stock Conversions

Twelve of the nation's top 100 thrifts converted from the mutual form of ownership to stock ownership in 1986 in an attempt to bolster their capital positions.

Half of these conversions involved New York State mutual savings banks. These six institutions are: 15th-ranked Dime Savings Bank of New York FSB; 23d-ranked Empire of America FSB, Buffalo; 30th-ranked Dollar-Dry Dock Savings Bank, Bronx, New York; 46th-ranked Emigrant Savings Bank, New York; 63d-ranked Seamen's Bank for Savings FSB, New York; and 75th-ranked Rochester Community Savings Bank, N.Y.

Currently, another New York mutual savings bank, 14th-ranked Anchor Savings Bank FSB, Northport, is in the process of converting to stock form. Also since yearend, 25th-ranked Standard Federal Bank, Troy, Mich., converted to a stock savings bank in January.

Of the remaining six conversions in 1986, four were mutual savings and loans that converted to stock savings and loans. These four are: 55th-ranked AmeriFirst Federal Savings and Loan Association, Miami; 24th-ranked Talman Home Federal Savings and Loan Association of Chicago; 38th-ranked TCF Banking and Savings FA, Minneapolis; and 50th-ranked Benjamin Franklin Federal Savings and Loan Association, Portland, Ore.

The 70th-ranked Empire of America FSB, Fort Worth, Tex., part of the Empire of America FSB network, converted to a stock savings bank, as did its sister thrift in New York.

One institution — 62d-ranked Chevy Chase Savings Bank FSB, Chevy Chase, Md. — converted from a mutual savings and loan to a stock savings bank. It was formerly known as Chevy Chase Savings and Loan Inc.

Also, 12th-ranked City Federal Savings Bank, Elizabeth, N.J., and 28th-ranked Carteret Savings Bank FA, Morristown, N.J., changed from stock savings and loans to to stock savings banks. ■

Read BANKING TRENDS
by Dr. Paul S. Nadler
every Monday in
American Banker

Yearend Thrift Overview: California, Texas, and the Nation

(Dollar Amounts in Billions)

CALIFORNIA THRIFTS	12/31/86	12/31/85
Number of Institutions	216	219
Total Mortgage Loans and Contracts	$231	$201.1
Deposits (Balances of 100,000 or less)	$168.1	$154.2
Deposits (Balances More than 100,000)	$50.1	$45.7
Total Deposits	$218.1	$199.9
Federal Home Loan Bank Advances	$31.2	$27.6
Other Borrowed Money	$37.5	$27.2
Other Liabilities	$9.6	$6.8
Total Regulatory Net Worth	$13.7	$11.7
Sub. Debentures as % of Reg. N.W.	11.6%	8.01%
Total Assets	$310.2	$273.2
Nonperforming Assets	$9.5	$8
As % of Total Assets	3.07%	2.93%

TEXAS THRIFTS	12/31/86	12/31/85
Number of Institutions	281	273
Total Mortgage Loans and Contracts	$62.6	$60.9
Deposits (Balances of 1 0,000 or less)	$69.7	$60.2
Deposits (Balances More than 100,000)	$10.4	$12.6
Total Deposits	$80.1	$72.8
Federal Home Loan Bank Advances	$8.2	$6.7
Other Borrowed Money	$6.3	$6.4
Other Liabilities	$2.1	$1.9
Total Regulatory Net Worth	$.862	$3.9
Sub. Debentures as % of Reg. N.W.	36.97%	5.76%
Total Assets	$97.6	$91.8
Nonperforming Assets	$16.5	$5.6
As % of Total Assets	16.9%	6.1%

U.S. THRIFTS (FSLIC-reporting institutions)	12/31/86	12/31/85
Number of Institutions	3,220	3,246
Total Mortgage Loans and Contracts	$813.4	$761.2
Deposits (Balances of 100,000 or less)	$772.4	$735.4
Deposits (Balances More than 100,000)	$117.5	$108.5
Total Deposits	$889.9	$843.9
Federal Home Loan Bank Advances	$100	$84.4
Other Borrowed Money	$95.3	$73.2
Other Liabilities	$26.4	$21.9
Total Regulatory Net Worth	$53.2	$46.6
Sub. Debentures as % of Reg. N.W.	6.36%	4.51%
Total Assets	$1,165	$1,070
Nonperforming Assets	$50.9	$33.2
As % of Total Assets	4.37%	3.11%

SOURCE: Federal Home Loan Bank Board

Fortune Federal Expands On Florida's West Coast

Special to the American Banker

CLEARWATER, Fla. — In an effort to increase its market share in Florida's Pasco County, Fortune Federal Savings and Loan Association purchased one office and the deposits of two others from Duval Federal Savings and Loan Association.

Clearwater-based Fortune will pay an undisclosed price to bolster its operations in Pasco.

"It appears to be a good move for both companies," said Tim Rayl, banking analyst with the brokerage firm of Allen C. Ewing & Co. in Tampa. Mr. Rayl said the deal will allow Fortune to increase its base in Pasco while allowing Duval to back out of Florida's west coast market.

The $1.1 million-asset Duval Federal, based in Jacksonville, said it would concentrate on expanding its operations on the state's east coast.

Fortune said it expects to close on the transaction, which is subject to regulatory approval, on March 31. The bank will acquire approximately $41 million in deposits.

Spokesman Tom Myers said Fortune would purchase real estate and other assets of a Duval office in Elfers, a small town in Pasco County. Fortune also will purchase the deposits of Duval's offices in New Port Richey and Bayonet Point and service them from nearby Fortune branches.

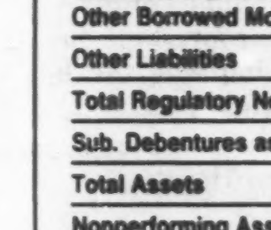
Fortune executives said the company had targeted the rapidly growing Pasco market for expansion. Banking observes called the move a predictable continuation of Fortune's strategy to open offices in high-growth areas. ■

Magnet Cites Real Estate Loans For First Loss in 53-Year History

Special to the American Banker

CHARLESTON, W.Va. — Magnet Bank, which is based here, says it lost nearly $6.8 million last year because of continuing problems with real estate loans, but officials say the state's largest thrift should be in the black in 1987.

The loss was the first in Magnet's 53-year history. The continuing problems have caused Magnet to drop below minimum net worth requirements as of yearend, but officials said they also expect to reverse that in the first quarter of 1987.



Assets fell from $683.4 million to $599 million during 1986.

Another major West Virginia thrift, Fed One Savings Bank, Wheeling, said earnings jumped 33% in 1986, and at $2.6 million were the highest in that company's 53-year history. Assets now total $234.7 million.

Fed One said it sold its Buckhannon branch in 1986 and will concentrate on northern and north-central sections of West Virginia.

Magnet Bank reported a fourth-quarter loss of $4.7 million. In 1985, it earned $1.1 million in the fourth quarter and $3.2 million for the year, which was a record for the company.

About $3.5 million of the fourth-quarter loss was an addition to loan-loss reserves, while the remaining $1.2 million was from operating losses. The $15.3 million in reserves is to cover possible losses on real estate loans.

Problems stem from a group of real estate development and construction loans made in 1983 and 1984 that went sour. The bank no longer makes those types of loans, but Magnet's total of "scheduled items," which means delinquent loans and real estate it has received in foreclosure, ballooned to $67.6 million by last September.

On the plus side, the mortgage banking division had a record year, with $277 million in home loans in its seven-state territory. Checking account balances grew from $65.6 million to $76.9 million, and the recently formed corporate banking division, which makes consumer, business, and student loans, grew from $1.2 million to $17.6 million. ■

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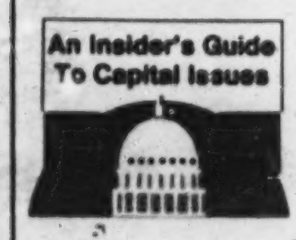
TODAY

NEWSMONDAY

WEEKLY REVIEW AND OUTLOOK — Pull Out Section Starting on Page 7

LAST WEEK Sen. William Proxmire presided triumphantly over a 12-6 majority that rewrote the rules of the financial services game, not only for limited-service institutions but for expansion-minded commercial banks as well. But his triumph left a bitter taste in the mouths of many bankers, according to reports in the Washington Briefing column..... 7



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Possible Impact Of Brazil Moratorium On Earnings Per Share

	Decline in EPS For 1987
Citicorp	-18.0%
Chase Manhattan Corp.	-21.8%
Manufacturers Hanover Corp.	-27.3%
J.P. Morgan & Co.	- 9.6%
Chemical New York Corp.	-16.5%

Citicorp's decline is based on corporation's estimate of $190 million reduction in earnings if Brazil does not pay interest for 12 months and on PaineWebber Inc.'s earnings per share estimate of $7.75. Percentages for other banks are estimates published in a recent research report by PaineWebber.

Markets React To Rumors on Brazilian Debt

By BART FRAUST

NEW YORK — The reality of Brazil's debt moratorium and its possible impact on the earnings of U.S. banks was brought home to the financial markets Friday.

The awakening followed the disclosure that Citicorp, Brazil's largest U.S. bank creditor, had filed a statement with the Securities and Exchange Commission providing details of how the moratorium will affect the corporation's earnings if the payment halt continues all year.

In the 8-K filing, Citicorp said that if the Brazilian loans affected by the moratorium are placed on nonperforming status, the impact on Citicorp's earnings will be approximately $50 million after taxes in the first quarter and $190 million for 1987. In 1986, Citicorp earned a total of $1.058 billion.

Companies are required to file 8-Ks with the SEC whenever "material events" occur within quarterly reporting periods. Spokesmen for other large New York banks said their institutions had no similar plans to file 8-Ks regard-

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Dallas Home Loan Bank Seeks $1 Billion Payback from FSLIC

By NINA EASTON and ROBERT GARSSON

In a move to avoid a qualified auditor's opinion, the Federal Home Loan Bank of Dallas on Friday demanded that the Federal Saving and Loan Insurance Corp. hand over more than $1 billion to back up guarantees the insurance fund has issued on the Dallas bank's advances to troubled thrifts, according to government sources.

If FSLIC complies with the demand, it will deplete the insurance fund's primary reserve, which now stands at just over $1 billion.

In a related development, Edwin J. Gray, chairman of the Federal Home Loan Bank Board, has asked the agency's attorneys to provide a legal opinion on the insurance fund's authority to borrow funds from the district bank system, according to government sources.

The Dallas bank's move comes as Congress wrestles with a plan to rescue the nearly depleted thrift insurance fund. If FSLIC's reserves do in fact drop as a result, it would likely add to the pressure for prompt consideration of a recapitalization.

Moreover, it could give additional impetus to a proposal put forward by the Reagan Administration and the Federal Home Loan Bank Board, which oversees FSLIC.

Many industry officials assert that the Treasury Department and Bank Board officials are attempting to create a crisis atmosphere in order to pressure Congress to adopt a Reagan Adminstration-backed recapitalization plan for

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Thrifts Say Depositors Remain Calm Despite Warnings About FSLIC Woes

By MARK BASCH and LINDA ELLIS

Depositors at thrift institutions across the nation are expressing little concern about the financial health of the Federal Savings and Loan Insurance Corp., thrift executives say, despite dire warnings from high-ranking government officials about impending panic at savings institutions.

New questions about the FSLIC's health were raised two weeks ago by the General Accounting Office's finding that the insurer has a $3 billion deficit after allowing for necessary additions to the insurance reserve for contingent liabilities. Last week, Federal Home Loan Bank Board Chairman Edwin J. Gray, Federal Reserve Board Governor Martha R. Seger, and Senate Banking Committee member John Heinz, R-Pa., were among the regulators and congressmen who expressed concern about depositor confidence in the FSLIC.

But thrift industry officials and observers said last week that while some customers have raised questions about the safety of their deposits, they have shown little worry.

Insured depositors have demonstrated no lack of confidence that the federal government would back up the FSLIC, said Emanuel J. Falzon, president of Merrill Lynch Money Markets Inc., New York.

Merrill Lynch makes markets in in-

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Thrifts Say Depositors Calm Despite FSLIC Warnings

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sured deposits for a number of thrifts, and in uninsured deposits of perhaps a dozen well-capitalized savings and loans nationwide. Both markets have only improved recently, Mr. Falzon said.

Uninsured depositors may be moving to thrifts because of increased concerns about the performance of some commercial banks, he said. Retail depositors are buying longer-term certificates of deposit as they try to take advantage of next year's tax rates, said Mr. Falzon.

The FSLIC's problems have not been a factor yet in the market, he said. "Investors obviously have a lot of confidence in FSLIC and the federal government," Mr. Falzon said.

Instead of concerns about an insolvent FSLIC, a recapitalized insurance fund may force liquidity problems on troubled thrifts that have marketed their own uninsured certificates of deposit, brokers say. Investors might react sharply if they realize that technically insolvent thrifts now could be shut down, leaving uninsured depositors with losses above the $100,000 limit of FSLIC coverage.

A number of Texas savings and loans grew quickly with the help of uninsured deposits. But most of those institutions have worked to let those certificates run off as problems escalated in their loan portfolios, said Frank W. Anderson, a thrift consultant with Ferguson & Co., Dallas.

For example, the Independent American Savings Association, Irving, Texas, reduced its volume of uninsured deposits from 26% of all deposits at yearend 1985 to just 4% six months later, according to figures compiled by Lyons, Zomback & Ostrowski Inc., a New York-based consulting firm.

"We've had some questions from our insured depositors, but we're able to reassure them that their money is safe," said Susan Cook, a spokeswoman for the thrift.

"Our money desk people say they haven't heard beans from our institutional depositors," said David Webster, a spokesman for Commonwealth Savings Association. Just as at Independent, the only questions have come from insured depositors. But Commonwealth reassures those depositors that their money is safe with the federal backing of the FSLIC, Mr. Webster said.

Depositors Unfazed by GAO Report

Elsewhere around the country, thrift executives reported little worry among their customers about the safety of deposits.

"I did some checking right after the GAO audit came out to see what kind of impact it might be having," said Joe C. Morris, chairman of the Columbia Savings Association FA, Emporia, Kan., and chairman of the U.S. League of Savings Institutions. "To my knowledge, we've had no withdrawals or customer concerns because of the GAO report."

He said that in Columbia's 12 offices, totaling some 40,000 accounts, the thrift recorded only two customer inquiries regarding FSLIC insurance.

Mr. Morris also said he checked with the Federal Home Loan Bank of Topeka, which reported a limited number of inquiries, and with thrifts in other parts of the country. "I really have not heard of any problem around the country," he said.

Despite the warnings from Sen. Heinz, Pennsylvania thrift industry officials seemed unconcerned about consumer confidence. A spokesman for Mr. Heinz said the senator has received 60 to 70 letters a week for the past four weeks and about 1,000 phone calls, primarily from senior citizens.

But those constituents are not extending their worries to the state's savings and loan industry. "We really haven't gotten a single call," said James H. Stoup, vice president of the Pennsylvania Association of Savings Institutions.

"So far, we haven't had any of that kind of problem," said Bruce Boyle, vice president for public relations at Atlantic Financial Federal, Bala-Cynwyd, Pa., the state's largest FSLIC-insured thrift. "To my knowledge, we haven't received any queries from customers."

Keeping the Faith

The Synod of the Trinity of the Presbyterian Church in Harrisburg, Pa., is keeping its faith in the savings and loan industry. Administrative religious groups such as the Presbyterian Synod are big buyers of jumbo CDs from thrifts and are also conservative about their investments. But Andrea Snyder of the Presbyterian's administrative body said the church will continue to buy new CDs as the old ones mature.

A spokesman for Arlen Specter, Pennsylvania's other Republican senator, said he has received about 100 pieces of mail, a figure he said was insignificant.

Rep. Claude Pepper, D-Fla., who represents a state with both a large senior citizen population and some publicized savings and loan problems, has gotten few calls, a staffer said. And congressmen from Texas, where the bulk of the nation's troubled savings and loans are located, also reported no unusual concern.

"We have been fortunate thus far," said Bank Board Chairman Gray in a March 9 letter to House Banking Committee Chairman Fernand J. St Germain, D-R.I. But Mr. Gray said he is concerned about public confidence in the FSLIC.

"The FSLIC could not call on enough liquidity to resolve problems resulting from any material loss of public confidence. Temporary closures proved necessary in both Ohio and Maryland. Any systematic loss of public confidence could also spread to individual FDIC-insured problem institutions," he wrote.

"We've had no calls whatsoever from any depositors regarding a lack of confidence," said B. Francis Saul 2d, chairman and president of Chevy Chase Savings Bank FSB, Chevy Chase, Md. Chevy Chase Savings was one of the privately insured thrifts in Maryland that was temporarily closed and forced to obtain federal deposit insurance in 1985.

In Ohio, another state that was hit by a thrift crisis two years ago, at least one thrift executive said depositor concerns about the FSLIC have not been a serious problem. Richard Gilbert, chief executive officer of the Citizens Savings Bank, Canton, Ohio, said that for the few depositors who have asked questions in recent weeks, thrift officers have first stressed their company's soundness and secondly reminded the depositors that the FSLIC is backed with the full faith and credit of the U.S. government.

The president of the New York League of Savings Institutions said no erosion of consumer confidence has surfaced in that state.

"We have seen no evidence of any diminution in depositor confidence in New York," said Paul Schosberg. "And while there has been media attention given to the FSLIC recapitalization issue, we see no evidence that there is any kind of tremor going through customers."

"There's not a lot of action," said Thomas P. O'Toole, executive vice president of retail banking at City Federal Savings Bank, Bedminster, N.J. "We had some questions last week from the branches asking if the FSLIC guarantee is any good, but no one is jumping up and down."

"We had to explain to people what it meant for FSLIC to be insolvent, and to do that we put out a statement to all our branches. We noted that no one has ever lost a penny in an FSLIC-insured account and we don't think anyone ever will," he said.

"We've had some calls," said Robert D. Pierson, vice chairman of Carteret Savings Bank, Morristown, N.J., "but more from [our depositors in] Florida than here. It's a retirement area with people who have a greater percentage of their net worth in savings institutions than up here. There is also some concern on the jumbo CDs, but we have taken steps to assure people that FSLIC is, or will be made, sound."

Thrift executives in California said they did not detect any unusual deposit withdrawals as a result of news reports that the FSLIC is insolvent.

A 'Nonissue' in California

"We've had two or three calls, but no withdrawals as a result of it," said one thrift executive in Northern California. "It's a nonissue."

However, other thrift executives admit that some customers are worried, noting an increase in inquiries by customers.

"It's a concern," said Monica Wiley, a spokeswoman at Home Federal Savings and Loan Association, San Diego. "Our branch managers have had questions [from customers]" in the past two weeks.

Home Federal is supplying branch managers with a newly issued four-page question-and-answer sheet from the U.S. League of Savings Institutions, which addresses many of the questions.

Harold Lee Jr., Wisconsin's Deputy Commissioner of Savings and Loan, put out a statement assuring depositors that their funds are safe in FSLIC-insured thrifts. "There were a lot of phone calls to savings and loans around Wisconsin and a few to our office," he said.

Mr. Lee said the concerns have eased since he released the statement, which said "there are sufficient funds available and there is a positive cash flow from insurance premiums."

A West Coast thrift executive said the news reports about the FSLIC's condition also worry federal thrift regulators.

"As soon as the GAO article came out, our supervisory agent asked us to keep in daily contact as to unusual deposit activity," he said.

Industry officials are increasingly angry about the public statements made by Bank Board Chairman Gray about the FSLIC's financial problems. Mr. Gray is pushing lawmakers to pass a measure that would pump additional funds into the FSLIC.

"The feeling is very, very high against him," said one West Coast thrift executive, echoing the sentiments of other thrift executives last week. They said Mr. Gray is damaging public confidence in the thrift system.

Mark Clark, a spokesman for the U.S. League, accused some proponents of an FSLIC recapitalization plan supported by both the Bank Board and the Treasury of trying to raise depositor concerns and thus scare Congress into passing the measure.

He accused them of releasing a steady stream of letters and speeches aimed at arousing investor fears.

"It's a very risky strategy," he said.

Paul A. Willax, president and chief executive officer of Empire of America FSB, Buffalo, said that he hasn't seen major problems with depositor confidence, but that repeated warnings about the FSLIC's problems from government officials without action being taken to solve them could lead to a loss of confidence.

"I think it's a very volatile, dangerous, explosive issue," he said. "Confidence in the banking system is what makes it go."

Also contributing to this story were David LaGesse, Robert Luke, Jim McTague, and Nina Easton.

Clearing Houses . . .

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active regional associations — counting commercial volume and government items received — included two single-holding-company clearing houses for the first time. These companies — Chase Manhattan Corp. and BankAmerica Corp. — along with Mellon National Corp. each own an automated clearing house and hold a seat on the national association's board. Nine other organizations have applied to do the same.

Chase Automated Clearing House Inc., which serves Chase Manhattan Bank of New York and Chase Lincoln First Bank of Rochester, ranked seventh. Chase's transactions otherwise would have gone through the New York Automated Clearing House, making it larger than Calwestern.

Electronic Payments Exchange, which serves Bank of America and Seattle-First National Bank, ranked ninth.

In third place after Calwestern and New York was Mid-America Payments Exchange, Kansas City, one of the fastest growing regional groups. It reported 31.6 million commercial debits and credits. Its debit total alone rose 75% in the year.

Rounding out the top 10 in total payments were the New England Automated Clearing House, Boston; Midwest Automated Clearing House, Chicago; Southwestern Automated Clearing House, Dallas; Chase ACH; Upper Midwest Automated Clearing House, Minneapolis; Electronic Payments Exchange; and North Carolina Automated Clearing House. ■

Visa . . .

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depicts two worried bankers standing in front of a bank named "Your Bank," watching a limousine, with "AMEX" printed on its side and money flying out of its trunk, tear off in the direction of "Their Bank."

The new ad shows the bankers thinking, "Did we just fund their new credit card?" It also has a royal-blue banner on the outside corner that shouts, "Attention bankers! American Express just came out with their new Optima credit card." ■

Pennsylvania Expands Time-Deposit Program

Special to the American Banker

HARRISBURG, Pa. — The Pennsylvania state treasury is expanding its time-deposit program for banks and savings and loan associations in smaller communities by making available an additional $30 million in deposits.

State Treasurer G. Davis Greene Jr. said the new deposits will provide more funds for local financial institutions, which they can loan out at reasonable rates to area businesses and consumers.

Under the existing program, the state treasury has $29,964,000 in time balances in 151 financial institutions. Deposits must be federally insured or, if over $100,000, collateralized.

If deposits have to be apportioned, Mr. Greene said, attention will be given to equitable geographic distribution and to loan-to-deposit ratios.

Rates on deposits until June 30 will be 20 basis points over the bond-equivalent yield on the latest auction of 180-day U.S. Treasury bills. ■

BACKPAGE

Automated Clearing House System Still Struggling

Pace of Growth and Private Participation Are Up, but Volume Is Disappointing

By JEFFREY KUTLER

New York

THE AUTOMATED clearing house system handled almost three quarters of a billion transactions last year, but no participant is rejoicing about it.

Thirteen years after they formed a nationwide payment network, the regional automated clearing houses continue to disappoint bankers who expected to have replaced billions of checks by now with paperless transactions.

Clearing house supporters, who are concerned about its ultimate viability, want to see the system's transaction volume grow more quickly than is shown in the *American Banker*'s second annual survey of automated clearing house activity. The survey continues Tuesday with a listing of the largest banks in terms of clearing house payments initiated.

National automated clearing house volume grew 27% in 1986. This overall transaction growth rate is healthy but the actual numbers remain relatively small in comparison with total payments.

Last year was the first year in which depository institutions initiated more automated clearing house payments than did the federal government.

Passing the billion-transaction mark would be an encouraging sign for the network's future, but it is elusive. It would take an unprecedented 34% growth spurt to reach that plateau in 1987.

Big as it appears, one billion would be equal to only 2% of the estimated 45 billion checks written annually in the United States.

"As long as it stays below 2%, that is sad, especially for a system that has been in place since the early 1970s," said George C. White, the payment systems consultant and self-appointed gadfly of the automated clearing house movement.

"The numbers show we are in good shape now, and it is looking better for the future," countered William R. Moroney, who as president of the National Automated Clearing House Association is the system's No. 1 cheerleader. But he acknowledged that "this is not going to be a year of tremendous growth — 50%, 60%, or 100% — that many people would like to see."

There are indeed glimmers of hope in systemwide transaction trends, which will occupy the thoughts of nearly 1,000 people gathering in San Diego this week for the National Automated Clearing House Association's annual conference.

Most encouraging: The 27% increase, to 743.4 million transactions from 586 million in 1986, was the biggest percentage gain since 1983, when the network was virtually half its current size. By contrast, checks are multiplying by 4% to 5% a year.

Also, 1986 was the first year in which depository institutions initiated more automated clearing house payments than did the federal government.

As recently as 1982, Social Security payments, federal retirement benefits, and other parts of the U.S. Treasury Department's direct deposit program accounted for two of every three automated clearing house transactions. Were it not for the government's dominant participation and influence, and the Federal Reserve System's operational and financial support, the automated clearing house system would not have survived its early years.

Privately originated debit and credit entries in 1986 outnumbered government payments by 398.1 million to 345.3 million, or 54% to 46%. In 1985 government volume held the edge, 297.5 million to 288.5 million, or 51% to 49%.

The commercial volume, dominated by preauthorized premium payments to insurance companies and by the direct deposit of salaries, grew 38% to 398.1 million items, compared with a 32% rise to 288.5 million in 1985.

The annual growth rate of government volume also increased last year as the Treasury promoted new uses of the automated clearing house system, such as remittances to and from corporations. Government items rose 16% to 345.3 million in 1986, compared with an 11% rise to 297.5 million a year earlier.

With its newfound majority status, the private sector has thus come of age as an automated clearing house participant. Observers of the clearing house scene say that responsibility for the system's often-questioned viability now falls more squarely on the banking community than on the Treasury or Federal Reserve.

Association Revises Calculation

For the second consecutive year, the *American Banker* has compiled transaction statistics showing that the network's size and growth rates are smaller than those historically published by the National Automated Clearing House Association.

In response to criticism that its method of counting transaction volume inflated the system's true size, the association subtracted from its 1986 statistics payments that were counted twice in earlier years. The association's total for nationwide, private-sector clearing house volume — 398.1 million — concurs with the *American Banker*'s estimate.

Of those 398.1 million commercial debits and credits, 362.6 million were handled at one time or another by the Federal Reserve facilities that provide processing services to all but one of the 32 regional clearing houses.

The rest were accounted for in the New York Automated Clearing House area, which processes intraregional payments independent of the Federal Reserve System, and by items cleared privately within California, Hawaii, and Arizona.

Added to the 398.1 million commercial entries were 345.1 million Treasury payments, almost all of them direct deposits and similar credit items, according to the Federal Reserve.

Using its old method, the National Automated Clearing House Association tabulated the sum of commercial payment originations as reported by all of its regional members. Until now the association made no effort to subtract transactions that flowed between regions, which were counted at both the sending and receiving ends.

Under the old method, commercial volume would have totaled 646.3 million in 1986 instead of 398.1 million. The commercial-plus-government total would have been 991.6 million — closing in on the magical billion — instead of the more accurate 743.4.

"We think it was essential to try to standardize the numbers and make them as realistic as we could," Mr. Moroney said. "My only concern is that people will compare our new number with the one we released last year and come away thinking we had a terrible year."

Automated Clearing House Volume: Government v. Commercial

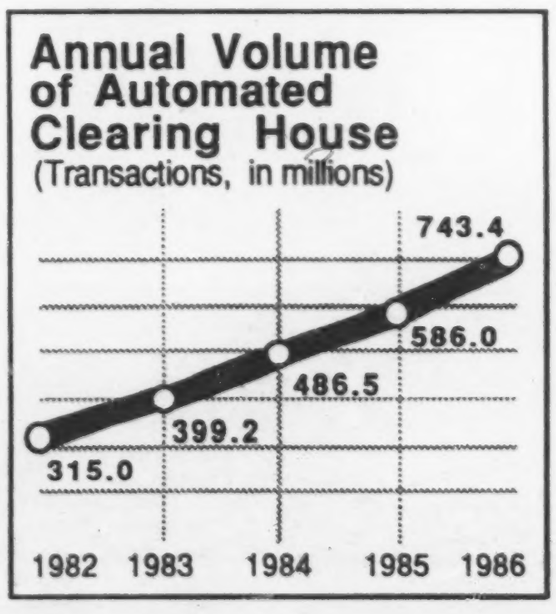
	Government-Originated			Commercial-Originated			
Year	($ Mil.)	Annual Growth (%)	Share of Total (%)	($ Mil.)	Annual Growth (%)	Share of Total (%)	Total
1986	345.3	16	46	398.1	38	54	743.4
1985	297.5	11	51	288.5	32	49	586.0
1984	268.5	12	55	218.0	38	45	486.5
1983	240.5	15	60	158.7	49	40	399.2

The National Automated Clearing House Association did not count as many government items as are in the *American Banker* figure. So the grand total it came up with last week in preparation for its annual conference — 701.1 million — is actually lower than the 766.2 million that it reported for 1985, which included double counting.

Still there are disagreements about which set of statistics best represents the true state of automated clearing house affairs. As with all statistics, there is probably a small margin of error in a tabulation of hundreds of millions of individual items.

Officials of several regional clearing house associations are trying to convince others that any nationwide total, double counted or not, understates the importance of direct-payment services, because they include only interbank transactions.

Sizable numbers of automated clearing house-type transactions never leave the banks in which they are originated, because the payments flow either for internal purposes or between two customers of the same institution.



Just as any accurate count of the number of checks written in the United States would have to include "on-us" items that are cleared within the banks of first deposit, so too should there be a count of on-us automated debits and credits, these advocates contend.

"We believe that on-us figures are close to 20% in our region," John Borden, president of Mid-America Payment Exchange, Kansas City, said. "Most leading originators are major institutions with a significant correspondent business, which 'kills' a lot of ACH items locally or regionally. If this is true for us in the Midwest, I suppose it could be true in other regions, in spades."

There are indeed many institutions where on-us volume adds significantly to outgoing automated clearing house entries, research by the *American Banker* reveals.

Norwest Bank Minneapolis, the flagship bank of Norwest Bancorp. in the Upper Midwest Automated Clearing House, typifies Mr. Borden's point. Norwest Bank ranked among the top five automated clearing house originators nationwide with 9.6 million debits and credits. But that does not include another 7 million on-us items, which flow among the holding company's 70 affiliated banks.

United States National Bank of Oregon, Portland, originated 1.7 million commercial debits and credits into Oregon Automated Clearing House Association. Counting intrabank transfers handled in the same internal processing system, the bank's ACH-type payments climb to 4.5 million.

At Wachovia Bank & Trust Co. in North Carolina, including on-us volume raises its clearing house volume to 9.1 million from 7.3 million; at First Bank Minneapolis it would have been 6 million instead of 3.7 million.

Higher aggregate numbers might give the automated clearing house system more prestige, but Mr. Borden is currently outnumbered by those who think on-us statistics would be distorting.

"We would say that on-us items would double what goes through the automated clearing house, said Peter Yeatrakis, executive director of the Calwestern Automated Clearing House Association in San Francisco, the nation's largest with 73 million total items in 1986. But he is not ready to count on-us entries alongside interchange items.

"In the strictest sense, on-us is not ACH activity, although it feeds the same business," he said.

Martin Schumer, executive director of the New York Automated Clearing House Association, the second largest with 57.4 million originated payments, also opposed inclusion of on-us data.

"Certainly there is a huge, hidden volume out there, but no one knows how big it is," he stated. "While it says something about electronic funds transfer as a whole, I don't think it belongs in ACH statistics, if for no other reason than that you don't have the same reporting standards and accountability."

He pointed out that national clearing house volumes are reported by associations and can be verified by the Federal Reserve System. Individual financial institutions would be the source of on-us information that could not be as easily confirmed.

According to National Automated Clearing House Association and *American Banker* data, the group of 10 most

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